

Bulgaria introduces tax incentives for cross-border giving

Outline

Bulgaria is the sixth EU country to extend tax effective giving to public benefit organisations also across-border. The amendment follows decisions by the Netherlands, Poland, Slovenia, Finland and Denmark¹, which allow tax incentives to public-benefit organisations based in other EU Member States.

The Bulgarian amendments to the relevant sections of the income tax laws were published in the 32nd issue of State Gazette on April 28th 2009. The amendments give the possibility to use tax benefits for individual and corporate donations made not only to Bulgarian public benefit organisations, registered in public benefit in the Central register with the Ministry of Justice, but to organisations, established in other EU countries. According to the Bulgarian Center for Not-for-profit law, in order to have the tax benefits, the donor must fulfill the following requirements: present an official legalized document, issued and verified by the relevant foreign state authorities that prove the statute of the organisation that receives the donation and its Bulgarian official translation². The new tax regime for donations will apply from the beginning of 2010, when the new amendments are entering into force.

Last October 2008, the Bulgarian Ministry of Finance had originally intended to cut incentives for donations and legacies to most public-benefit organisations.

Following an intensive campaign on “keeping the tax incentives for donations” by the Bulgarian Donors’ Forum, the Bulgarian Center for Not-for Profit Law, Bulgarian foundations, and other non-profit organisations the proposed removal of tax incentives was withdrawn. The local media and politicians were informed of the damaging impact such a proposal would have on Bulgaria’s third sector. An important part of the campaign was an open online petition, which was signed by over 1000 citizens and organisations. The EFC supported the campaign and has issued a statement, which was copied to the Bulgarian Ministry of Finance³. The EFC support was acknowledged by the organisers of the campaign⁴.

EFC has always called for a more favorable environment for public-benefit foundations and their funders also in a cross-border context. Philanthropy does not begin and end at home. More funders and foundations are active across borders and national tax laws should reflect this reality. European cooperation can only be realised if public benefit is understood in a broader context than benefiting people in just one country. Public-benefit foundations and their funders have an important role to play in addressing challenges at national and European level and they need an enabling environment to continue doing so. The European Commission is challenging those tax laws, which only provides tax incentives for giving to local public benefit organizations.

Action Point

The EFC will continue to monitor foundation law matters. For further information on the Bulgarian case, please contact Krasimira Velichkova at the Bulgarian Donors’ Forum: kvelichkova@dfbulgaria.org or the Bulgarian Center for not-for-profit law (BCNL).

¹ <http://www.efc.be/content/alert.asp?ContentID=1538>

² <http://www.bcnl.org/newsen.php?n=330>

³ <http://www.efc.be/content/alert.asp?ContentID=1557>

⁴ <http://www.bcnl.org/newsen.php?n=293>